

**COMMONWEALTH OF MASSACHUSETTS**  
**DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

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In re: Petition of City of Waltham

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D.T.E. 02-11

**ANSWER OF RESPONDENT BOSTON EDISON COMPANY**

Now comes the Respondent, Boston Edison Company, d/b/a NSTAR Electric, in answer to the allegations contained in the Petition of the City of Waltham (the “Petitioner”), and states as follows:

1. The Respondent is without knowledge or information sufficient to form a belief as to the truth of the allegation contained in paragraph 1 of the Petition, and therefore is unable to admit or deny the allegation.
2. The allegation contained in paragraph 2 of the Petition calls for a legal conclusion, and therefore the Respondent is not required to admit or deny the allegation. Nonetheless, the Respondent answers further that it does not dispute the jurisdiction of the Department of Telecommunications and Energy (the “Department”) to resolve disputes that may arise relating to the provisions of G.L. c. 164, § 34A.
3. The Respondent admits that on or about July 25, 2001, the Respondent received a copy of the letter attached to the Petition (“Attachment A”) and referenced in paragraph 3 of the Petition. The remainder of the allegation contained in paragraph 3 of the Petition calls for a legal conclusion and, therefore, the Respondent is not required to admit or deny the allegation.

4. Regarding paragraph 4, the Respondent admits that the Petitioner amended its purported conversion notice in December 2001 to include the underground-served streetlights in the City of Waltham, and that the purported conversion notice was amended subsequent to negotiations with the Respondent.
5. Regarding paragraph 5, the Respondent admits that, on December 14, 2001, the Respondent provided the Petitioner with a purchase price of \$674,159.42 for the Respondent's formerly owned streetlights in the City of Waltham, and that the purchase price calculation is contained in the attachment referenced in paragraph 4 of the Petition ("Attachment B").
6. Regarding paragraph 6, the Respondent admits that its purchase price calculation represented in Attachment B of the Petition makes an equitable allocation of the net values in miscellaneous streetlighting accounts to the Respondent's Utility Plant accounts 635 and 636.
7. The Respondent does not understand the allegations contained in paragraph 7 of the Petition, and therefore denies the allegations.
8. The Respondent does not understand the allegations contained in paragraph 8 of the Petition, and therefore denies the allegations.
9. The Respondent admits the allegation in paragraph 9 that the Respondent conveyed the Respondent's formerly owned streetlights to the Petitioner via a Purchase and Sale Agreement (the "Agreement") "effective as of January 1, 2002" and that Petitioner has attached a copy of such Agreement to its Petition.

10. The Respondent is without knowledge or information sufficient to form a belief as to the truth of the allegation in paragraph 10 that Petitioner “has been maintaining the streetlights in Waltham since January 1, 2002,” and, therefore, is unable to admit or deny the allegation. The Respondent admits the allegation in paragraph 10 that the City of Waltham is receiving streetlight service from the Respondent pursuant to “the alternative S2 tariff.”
11. Regarding paragraph 11, the Respondent admits that the Agreement includes the language contained in paragraph 11 of the Petition.
12. The Respondent does not understand the allegations contained in paragraph 12 of the Petition, and, therefore, denies the allegations.
13. Regarding paragraph 13, the Respondent admits that the only issue in this dispute is the allocation of costs between municipal and private streetlights.
14. The Respondent does not understand the allegations contained in paragraph 14 and, therefore, denies the allegations. Nonetheless, the Respondent answers further that the Respondent’s methodology for allocating its gross investment and accumulated depreciation of streetlighting is reasonable, fair and equitable. The Respondent bases its price for streetlights on the original costs booked in its Utility Plant accounts 632, 633, 634, 635, 636 and 637 and the Completed Construction Not Classified (“CCNC”) attributable to such accounts net of depreciation booked against these accounts. Account 635 includes the gross investment and accumulated depreciation for the Respondent’s municipal posts, fixtures and luminaires. Account 636 includes similar categories of data for the Respondent’s commercial posts, fixtures and luminaires. The gross investment

and depreciation of other streetlighting equipment, e.g., conductors, conduit, and transformers, are included in accounts 632, 633, 634 and 637. Although some of the equipment booked to these accounts is used for municipal streetlighting (and has thus been sold to the Petitioner), a portion of the equipment booked to these accounts is used for commercial streetlighting. Because the costs booked to these accounts are not tracked separately for municipal or commercial streetlights, they must be allocated between municipal and commercial lights in order to develop a total price for all of the equipment being purchased by the municipality. This process is accomplished in the following manner:

The Respondent first identifies the gross investment and accumulated depreciation accounted for in plant accounts 635 (municipal) and 636 (commercial). The Respondent next must allocate its gross investment and accumulated depreciation in accounts 632, 633, 634 and 637 and the CCNC to determine the total costs attributable to municipal streetlighting equipment. To accomplish this allocation, the Respondent first takes the gross investment in the CCNC account and allocates it to accounts 632 through 637, based on the proportion of the gross investment of each account to the total gross investment of all the accounts. The Respondent then takes the accumulated depreciation in the CCNC account and allocates it to accounts 632 through 637, based on the proportion of accumulated depreciation in each account to the total accumulated depreciation of all the accounts (together with the gross investment allocation, “Step 1”). The Respondent next allocates the gross investment in accounts 632, 633, 634 and 637 to the municipal and commercial accounts, based on the

proportion of gross investment (initial plus CCNC) in the municipal and commercial accounts to the total gross investment in those accounts after Step 1. Accumulated depreciation in accounts 632, 633, 634 and 637 is similarly allocated to the municipal and commercial accounts, based on the proportion of accumulated depreciation in the municipal and commercial accounts to the total accumulated depreciation in those accounts after Step 1 (together, with the allocation of gross investment of accounts 632, 633, 634 and 637, “Step 2”). Lastly, because the Petitioner purchased some streetlights that were accounted for in account 636 (because they served municipal purposes), the Respondent added approximately 11 percent to the total gross investment and depreciation for account 635, representing the approximate percentage of commercial streetlights purchased by the Petitioner.

This methodology allocates gross investment based on the proportion of the gross investment that is known to be booked in the accounts that directly assign costs to municipal and commercial streetlighting. Similarly, the allocation of accumulated depreciation is based on the proportion of accumulated depreciation that is known to be booked in the accounts that directly assign costs to municipal and commercial streetlighting. The allocation of “gross investment based on gross investment” and “accumulated depreciation based on accumulated depreciation” is fair and equitable because it properly captures the vintages of the investments made to serve the two classes.<sup>1</sup> The timing of the purchase of the ancillary

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<sup>1</sup> For purposes of the analysis, it is assumed that the timing of the purchase of the ancillary equipment approximates the timing of the purchase of the directly assigned streetlighting equipment booked to municipal and commercial streetlighting accounts 635 and 636, respectively.

streetlighting equipment booked to accounts 632, 633, 634 and 637 affects the gross investment and the accumulated depreciation in different ways. The timing affects gross investment because the original cost of the plant is dependent on the costs that were faced by the Respondent in purchasing and installing the equipment when the equipment was purchased. The timing of the purchase also affects the amount of depreciation that was accumulated since the plant was placed in service. As can be seen by the differences in the relative proportion of plant that has been depreciated in the relevant accounts, the timing of the installation affects the magnitude of gross plant and accumulated depreciation differently. Accordingly, it is appropriate to allocate these two elements according to the proportion of the elements in the directly assigned accounts (Accounts 635 and 636).

The methodology is also consistent with the methodology used in each of the Respondent's 13 prior sales of its former streetlighting equipment pursuant to G.L. c. 164, § 34A, and the methodology used to price its streetlights for other communities that have requested pricing information for the Respondent's streetlights within their borders. Therefore, the Respondent's allocation methodology is reasonable, fair, equitable and consistent with the methodology used by the Respondent for municipalities throughout its service territory that seek to purchase the Respondent's streetlights.

15. Regarding paragraph 15, the Respondent opposes the Petitioner's request for relief.

16. Regarding the first sentence of paragraph 16, the Respondent denies the Petitioner's allegation that "the facts are clear." Because the Respondent has not been presented with the Petitioner's methodology for allocating costs between the Respondent's accounts 635 and 636, the Respondent has not had an opportunity to accept or dispute the Petitioner's allocation methodology. After presentation of the allocation methodologies of the Petitioner and the Respondent, there may, or may not, be a dispute that would be ripe for consideration by the Department. The Respondent is entitled to present facts to the Department regarding the practical implications of the Petitioner's proposed methodology to inform the Department's decision-making. Stow Municipal Electric Department, D.T.E. 94-176-C at 3-4 (June 26, 2000 Hearing Officer Ruling on Scope of the Proceeding). The Respondent is entitled to present evidence and argument to support its position in this proceeding, pursuant to G.L. c. 30A.

Regarding the second sentence of paragraph 16, the allegation that there is no need for an evidentiary hearing calls for a legal conclusion, and therefore the Respondent is not required to admit or deny the allegation. Nonetheless, the Respondent is entitled to an evidentiary hearing to the extent that facts remain in dispute after the Petitioner submits testimony supporting its proposed allocation methodology. Accordingly, the Respondent denies the Petitioner's allegation in the second sentence of paragraph 16.

Regarding the remainder of paragraph 16, the Respondent opposes the Petitioner's request in that paragraph that the Department "direct the Company to rebate to the City the difference between the purchase price already paid, and the

purchase price calculated in accordance with the [D]epartment's determination in this proceeding."

**WHEREFORE**, the Respondent requests that the Department:

1. Deny the relief requested by the Petitioner; and
2. Grant such other relief as the Department deems necessary and appropriate.

Respectfully submitted,

**NSTAR ELECTRIC**

By Its Attorneys,

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